

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022073948401**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Jeffrey W. Davidson (Respondent)
Former General Securities Representative
CRD No. 4585780

Pursuant to FINRA Rule 9216, Respondent Jeffrey W. Davidson submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Davidson first became registered with FINRA as a General Securities Representative (GS) in September 2002 through an association with Equitable Advisors, LLC (CRD No. 6627). In March 2005, he became registered as a General Securities Principal (GP) through Equitable. On January 31, 2022, Equitable filed a Uniform Termination Notice for Securities Industry Registration (Form U5) reporting that it had discharged Davidson for “engaging in a private securities transaction that was not reviewed or approved by the Firm.”

Davidson was registered as a GS, GP, and Operations Professional through an association with a different FINRA member firm from February 2022 until March 2023.

Although Davidson is no longer registered or associated with a FINRA member firm, he remains subject to FINRA’s jurisdiction pursuant to Article V, Section 4 of FINRA’s By-Laws.¹

OVERVIEW

From May 2021 through January 2022, while associated with Equitable, Davidson participated in a private offering of securities that raised \$10.21 million for a company

¹ For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

that Davidson founded and co-owned. Davidson participated in this private securities transaction without providing prior written notice to Equitable or receiving written approval from the firm, in violation of FINRA Rules 3280 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from the Form U5 Equitable filed in January 2022 reporting Davidson's termination.

FINRA Rule 3280(b) states, in pertinent part, that "[p]rior to participating in any private securities transaction, an associated person shall provide written notice to the member with which he is associated describing in detail the proposed transaction and the person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction." FINRA Rule 3280(e) generally defines a private securities transaction as "any securities transaction outside the regular course or scope of an associated person's employment with a member." FINRA Rule 3280(c) states that when an associated person has received or may receive selling compensation, the member firm shall provide written approval or disapproval of the associated person's participation in the proposed private securities transaction.

A violation of FINRA Rule 3280 is also a violation of FINRA Rule 2010, which requires associated persons, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

Equitable's written supervisory procedures required registered representatives to provide written notice to the firm prior to participating in a private securities transaction, including a description of the proposed transaction, the representative's proposed role, and whether the representative would receive compensation. Registered representatives were also required to obtain written approval from the firm prior to participating in a private securities transaction.

Davidson was a founder and co-owner of a fitness company (Company A). Davidson disclosed his ownership interest in Company A to Equitable as an outside business activity, which Equitable approved. From May 2021 through January 2022, Company A engaged in a private offering of ownership units, which were securities sold pursuant to Regulation D of the Securities Act of 1933. In connection with the offering, Davidson hired a placement agent, approved a private placement memorandum for distribution to prospective investors, presented a business plan to prospective investors, and negotiated the terms of the transaction with investors.

The offering raised \$10.21 million from 18 investors. One investor in the offering was a private equity fund (the PE Fund), which invested \$5 million in Company A. The other 17 accredited investors invested in Company A through a limited partnership (the LP Investors). The LP Investors included partners of the PE Fund and employees of Company A. Two of the LP Investors, who were employees of Company A, were also Davidson's customers at Equitable. Although Davidson did not earn any commissions in

connection with the offering, Davidson and his co-owner received approximately \$2.4 million by selling a portion of their ownership interest in Company A.

Davidson did not provide Equitable with prior written notice of the transaction or receive Equitable's approval for his participation in the transaction, which was outside the regular course and scope of his employment.

Therefore, Davidson violated FINRA Rules 3280 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a 21-month suspension from associating with any FINRA member in all capacities and
- a \$15,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against him;
- B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying,

directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

02-12-2024

Date


Jeffrey W. Davidson
Respondent

Reviewed by:



Sharon Ash
Counsel for Respondent
Hamburger Law Firm LLC
228 Park Ave S
PMB 51917
New York, NY 10003-1502

Accepted by FINRA:

February 16, 2024

Date

Signed on behalf of the
Director of ODA, by delegated authority

A handwritten signature in black ink, appearing to read 'K Wyman', is written over a horizontal line.

Katherine Wyman
Principal Counsel
FINRA
Department of Enforcement
200 Liberty Street, 11th Floor
New York, NY 10281